



Update to the 2012 Proposed Budget

Presentation to the Seattle City Council
City Budget Office – November 1, 2011

Purpose of the Update – City's Revenue Picture Has Changed



- ▶ Three official revenue forecasts are typical
 - ▶ April – forms the basis of the baseline budget
 - ▶ August – forms the basis of the proposed budget
 - ▶ November – informs the adopted budget
- ▶ When the 2012 Proposed Budget was transmitted in September, we knew a downward revision in revenues was likely as a result of variables that emerged after the August forecast
 - ▶ Debt ceiling debate
 - ▶ Standard & Poor's downgrades U.S. credit rating
 - ▶ Concern about Europe
 - ▶ Stock market tumbles
 - ▶ Weak economic data
 - ▶ Consumer confidence erodes
- ▶ Proposed Budget includes a \$3.4 million reserve for this purpose



What Has Changed?

▶ Good News:

- ▶ Relative strength in the local economy
- ▶ Sales tax revenues trending ahead of forecast for 2011
- ▶ While not immunizing the City to the recent economic turmoil, helps buffer the impacts, especially in the short-run

▶ Bad News:

- ▶ National and local forecasts more pessimistic as compared with the August forecast
 - ▶ GDP and employment forecasts lowered
- ▶ \$4.3 million cumulative impact on City revenues over two years (2011 & 2012)
- ▶ Exacerbates the 2013 and 2014 outlook

What Has Changed?



► Revenue updates from the August 2011 forecast

General Fund Revenue Changes - <i>thousands of dollars</i>	2011 Change	2012 Change	2013 Change
Property Tax	(\$1,600)	\$1,028	(\$287)
Sales Tax	\$903	(\$763)	(\$2,863)
B & O Tax	(\$611)	(\$1,258)	(\$3,116)
Utility Tax	(\$330)	(\$461)	(\$341)
Parking Meters/Meter Hoods	(\$200)	(\$200)	(\$100)
Court Fines and Forfeitures	(\$1,088)	(\$725)	(\$43)
Interest Income	(\$133)	(\$100)	\$0
Service Charges	\$0	\$671	\$0
Grant	\$0	\$169	\$0
All Else	\$0	\$375	\$0
TOTAL	(\$3,059)	(\$1,264)	(\$6,750)

Recommended Actions to Rebalance the Budget



- ▶ The \$3.4 million reserve established in the Mayor's Proposed Budget critical to closing the gap
- ▶ No additional budget reductions required

Corrective Actions - thousands of dollars	<u>2011</u>	<u>2012</u>	<u>2013</u>
Impact of Revenue Update	(\$3,059)	(\$1,264)	(\$6,750)
Use of Deficit Reserve (\$3.4M total - \$1.1M was planned for use in 2013)		\$2,300	
Shift use of Portion of Deficit Reduction Reserve from 2013 to 2012*		\$624	(\$624)
Impact of Retirement Board Recent Changes		\$530	\$546
Healthcare savings and Anticiapted Q4 Supplemental Impact	\$625		
Impact of 2012 Proposed Budget Expenditure Errata		\$239	\$246
TOTAL	(\$2,434)	\$2,429	(\$6,582)

* \$1.1M from the Deficit Reduction Reserve had been planned for use in 2013. This leaves \$476K for use in 2013.

Outlook for 2013 and 2014



- ▶ General Fund picture for 2013 and 2014 is worse as a result of the revised forecast

General Fund Balancing - thousands of dollars	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Beginnning Unreserved Fund Balance*	\$2,512	\$5,596	\$0	\$0
Revenues as of September 2011	\$892,220	\$912,730	\$942,883	\$974,067
Expenditures and Reserve Changes as of September 2011	(\$886,702)	(\$920,754)	(\$975,671)	(\$1,013,235)
Impact of November 2011 Update	(\$2,434)	\$2,429	(\$6,582)	(\$4,901)
TOTAL	\$5,596	\$0	(\$39,370)	(\$44,069)

* 2014 beginning unreserved fund balance assumes no impact from the 2013 shortfall.

Long-Term Outlook – Uncertainty Remains



- ▶ State and Federal budget situations could further challenge the City's budget situation
- ▶ Example:
 - ▶ Governor's budget proposal that was released last week could erode City revenues by \$9.7 million for 2012

<u>Governor's Recommendation</u>	
Liquor Excise Tax	2,898,000
Liquor Board Profits	4,347,000
<u>Potential Additional Options</u>	
Criminal Justice Assistance (High Impact)	1,745,000
Criminal Justice Assistance (Population)	725,000

- ▶ Plus, the City could see sizable indirect impacts
- ▶ Could result in the need for mid-year reductions in 2012 and additional reductions in 2013

Questions?

